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C O N F I D E N T I A L SECTION 01 OF 02 YEREVAN 000688

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SUBJECT: GOOD POLITICAL CLIMATE IN ARMENIA FOR A DEAL ON N-K

REF: STATE 78834

Classified By: Amb. John M. Evans for reasons 1.4 (b, d).

¶1. (C) We look forward to welcoming you to Yerevan again. Given your familiarity with the Nagorno-Karabakh negotiations, we would like to take this opportunity to update you on domestic political developments, some of which may influence Armenian decision-making with respect to N-K.

¶2. (C) Despite the pending resignation of National Assembly Speaker Artur Baghdasarian and his party's withdrawal from the governing coalition (ref B), Armenia's political scene remains remarkably calm, a testament to the power President Robert Kocharian wields. As Armenia's N-K negotiator-in-chief, and as an N-K veteran, Kocharian is well-positioned to both accept a settlement and enforce its conditions. A USG-funded national voter survey concluded May 7 found Kocharian's approval rating remained strong, as did public concern about the consequences of a failure to peacefully resolve the N-K conflict. The survey found respondents feared the potential for Azeri military build-up and overwhelmingly favored a quick, peaceful solution to the N-K conflict through negotiation rather than force. The time for settlement was now, respondents told pollsters, a strong argument for your May 25-26 discussions in Yerevan. End Summary.

KOCHARIAN MAINTAINS FIRM GRIP ON POWER

¶3. (C) On May 12, National Assembly Speaker Artur Baghdasarian formally announced his party's withdrawal from the governing coalition and his intention to step down as Speaker. His announcement ended intense speculation about his falling out with President Robert Kocharian and his party's (Orinats Yerkir) hemorrhage of members in the National Assembly. Orinats Yerkir's departure from the governing coalition neither hinders the government's ability to push through its programs nor changes Kocharian's personal control of key issues, including N-K negotiations. The almost certain government nominee for Speaker is current Deputy Speaker Tigran Torosyan, a member of the Republican Party (Prime Minister Andranik Margaryan's party), who recently told us that he believed the government should do more to prepare the public for an N-K settlement.

¶4. (C) The crowded constellation of small political groupings emerging ahead of the 2007 parliamentary and 2008 president elections has not affected Kocharian's decision-making or authority. Local business tycoon Gagik Tsarukian, former

"Nagorno-Karabakh Minister of Defense" Samvel Babayan, and supporters of Prosecutor General Aghvan Hovsepian have gone public with their plans to mobilize constituents and negotiate with other political parties about possible alliances. Far from a threat to Kocharian's power base, however, these new groupings are based primarily on the business or personal connections of their founders, and none of them opposes the current power structure.

GENERAL PUBLIC OVERWHELMINGLY FAVORS PEACEFUL SOLUTION NOW

15. (C) Kocharian's approval rating remains favorable, according to an International Republican Institute (IRI) Armenian voter survey funded by the USG and conducted by the Gallup Organization. According to respondents, only unemployment outranked the N-K conflict as "the most important issue facing Armenia." Eighty-five percent of the respondents said they favored a peaceful solution to the N-K conflict through negotiation rather than military force. Seventy-one percent said they were optimistic that a peaceful settlement could be reached and virtually all respondents said they thought it was important to solve the N-K problem in the near future. No respondents, however, favored "returning" N-K to Azerbaijan. The survey provides you a solid argument, and Kocharian good political cover, to push the tough decisions that would settle the conflict now. (Note: The Gallup Organization designed, coordinated, and analyzed the USG-funded study, which included face-to-face interviews with 1200 Armenian residents aged 18 years and older, from a representative cross-section of society. According to IRI and Gallup, the margin of error did not exceed three percent. End Note.)

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OPPOSITION NOT TO "STAND IN THE WAY" OF A SETTLEMENT

16. (C) Privately, opposition leaders including Stepan Demirchian (People's Party), Artashes Geghamyan (National Unity), Aram Sargsyan (Republic Party), and Vazgen Manukyan (National Democratic Union) have told us they would not stand in the way of a settlement, a significant departure from past opposition platforms that would have painted any concessions on N-K unpatriotic. Though Kocharian knows this, you might find it useful to remind him. Conscious of his place in history, N-K resolution is Kocharian's best, most significant opportunity to forge a lasting legacy. (Note: Like Gallup Survey respondents, opposition leaders have told us they are concerned about Azeri President Ilham Aliyev's pledge to dramatically increase defense spending. End Note.)

COMMENT: NO BETTER TIME FOR N-K NEGOTIATIONS

17. (C) President Robert Kocharian maintains his firm grip on all aspects of governance in Armenia. He enters this round of negotiations well-positioned, having demonstrated his ability to hold course with or without governing coalition partners. Public opinion, as judged by the Gallup Organization, strongly favors a near-term settlement, strongly fears the potential of Azeri military action, and favors negotiation over military action. Likely coming to the same conclusions about public opinions on their own, opposition leaders privately confided they would support a settlement. You may wish to underscore favorable public opinion for a negotiated settlement by delivering the N-K-specific results of the study (see para 5 above) to Kocharian at your May 25 meeting.
EVANS